PRESS CONFERENCE

Mario Draghi, President of the ECB,Vítor Constâncio, Vice-President of the ECB,Frankfurt am Main, 8 March 2018

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council.

Based on our regular economic and monetary analyses, we decided to keep the **key ECB interest rates** unchanged. We continue to expect them to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases.

Regarding **non-standard monetary policy measures**, we confirm that our net asset purchases, at the current monthly pace of €30 billion, are intended to run until the end of September 2018, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. The Eurosystem will continue to reinvest the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time after the end of its net asset purchases, and in any case for as long as necessary. This will contribute both to favourable liquidity conditions and to an appropriate monetary policy stance.

Incoming information, including our new staff projections, confirms the strong and broad-based growth momentum in the euro area economy, which is projected to expand in the near term at a somewhat faster pace than previously expected. This outlook for growth confirms our confidence that inflation will converge towards our inflation aim of below, but close to, 2% over the medium term. At the same time, measures of underlying inflation remain subdued and have yet to show convincing signs of a sustained upward trend. In this context, the Governing Council will continue to monitor developments in the exchange rate and financial conditions with regard to their possible implications for the inflation outlook. Overall, an ample degree of monetary stimulus remains necessary for underlying inflation pressures to continue to build up and support headline inflation developments over the medium term. This continued monetary support is provided by the net asset purchases, by the sizeable stock of acquired assets and the forthcoming reinvestments, and by our forward guidance on interest rates.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. Real GDP increased by 0.6%, quarter on quarter, in the fourth quarter of 2017, after increasing by 0.7% in the third quarter. The latest economic data and survey results indicate continued strong and broad-based growth momentum. Our monetary policy measures, which have facilitated the deleveraging process, continue to underpin domestic demand. Private consumption is supported by rising employment, which is also benefiting from past labour market reforms, and by growing household wealth. Business investment continues to strengthen on the back of very favourable financing conditions, rising corporate profitability and solid demand. Housing investment has improved further over recent quarters. In addition, the broad-based global expansion is providing impetus to euro area exports.

This assessment is broadly reflected in the March 2018 ECB staff macroeconomic projections for the euro area. These projections foresee annual real GDP increasing by 2.4% in 2018, 1.9% in 2019 and

1.7% in 2020. Compared with the December 2017 Eurosystem staff macroeconomic projections, the outlook for real GDP growth has been revised up for 2018 and remains unchanged for 2019 and 2020.

The risks surrounding the euro area growth outlook are assessed as broadly balanced. On the one hand, the prevailing positive cyclical momentum could lead to stronger growth in the near term. On the other hand, downside risks continue to relate primarily to global factors, including rising protectionism and developments in foreign exchange and other financial markets.

According to Eurostat’s flash estimate, euro area annual HICP inflation decreased to 1.2% in February 2018, from 1.3% in January. This reflected mainly negative base effects in unprocessed food price inflation. Looking ahead, on the basis of current futures prices for oil, annual rates of headline inflation are likely to hover around 1.5% for the remainder of the year. Measures of underlying inflation remain subdued overall. Looking forward, they are expected to rise gradually over the medium term, supported by our monetary policy measures, the continuing economic expansion, the corresponding absorption of economic slack and rising wage growth.

This assessment is also broadly reflected in the March 2018 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation at 1.4% in 2018, 1.4% in 2019 and 1.7% in 2020. Compared with the December 2017 Eurosystem staff macroeconomic projections, the outlook for headline HICP inflation has been revised down slightly for 2019 and remains unchanged for 2018 and 2020.

Turning to the **monetary analysis**, broad money (M3) continues to expand at a robust pace, with an annual rate of growth of 4.6% in January 2018, unchanged from the previous month, reflecting the impact of the ECB’s monetary policy measures and the low opportunity cost of holding the most liquid deposits. Accordingly, the narrow monetary aggregate M1 remained the main contributor to broad money growth, continuing to expand at a solid annual rate.

The recovery in the growth of loans to the private sector observed since the beginning of 2014 is progressing. The annual growth rate of loans to non-financial corporations strengthened to 3.4% in January 2018, after 3.1% in December 2017, while the annual growth rate of loans to households remained unchanged at 2.9%. The pass-through of the monetary policy measures put in place since June 2014 continues to significantly support borrowing conditions for firms and households, access to financing – notably for small and medium-sized enterprises – and credit flows across the euro area.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed the need for an ample degree of monetary accommodation to secure a sustained return of inflation rates towards levels that are below, but close to, 2% over the medium term.

In order to reap the full benefits from our monetary policy measures, other policy areas must contribute decisively to raising the longer-term growth potential and reducing vulnerabilities. The implementation of **structural reforms** in euro area countries needs to be substantially stepped up to increase resilience, reduce structural unemployment and boost euro area productivity and growth potential. Against the background of overall limited implementation of the 2017 country-specific recommendations, as communicated by the European Commission yesterday, greater reform effort is necessary in the euro area countries. Regarding **fiscal policies**, the increasingly solid and broad-based expansion calls for rebuilding fiscal buffers. This is particularly important in countries where government debt remains high. All countries would benefit from intensifying efforts towards achieving a more growth-friendly composition of public finances. A full, transparent and consistent implementation of the Stability and Growth Pact and of the macroeconomic imbalance procedure over time and across countries remains essential to increase the resilience of the euro area economy. Deepening Economic and Monetary Union remains a priority. The Governing Council urges specific and decisive steps to complete the banking union and the capital markets union.

We are now at your disposal for questions.

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I notice that you have changed somewhat your monetary policy statement, dropping the commitment to increase the size of quantitative easing, if necessary. Could you explain the reasons for that, especially against the backdrop of trade war talks that we have been hearing and somewhat slowing down of survey indicators for the recovery?

Second question on Latvia, on the affairs surrounding Mr Rimsevics, a Governing Council member. Do you see the fact that Latvian authorities are effectively blocking a Governing Council member from attending Governing Council meetings as an infringement of central bank independence? If not, why not?

Also do you feel the Latvian authorities have been not fully cooperating with the ECB on this affair?

Draghi: First of all, the first question: let me just read to you the sentence we have removed. By the way, it was a sentence introduced in 2016, when we cut our monthly purchases from €80 to €60 billion. Thinking about that, you can just figure out, how different the situation was at that time. The sentence says: if the outlook becomes less favourable or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, we stand ready to increase the asset purchase programme in terms of size and/or duration. So, what we did was to remove the explicit reference to the likelihood of an increase in the pace of purchases in the near future.

We shouldn't forget that we have kept the other reference to such a possibility when it says: the Eurosystem will continue to reinvest the principal payments for an extended period of time after the end of net asset purchases and in any case for as long as necessary. All in all, if you read this decision – by the way the decision was unanimous – that's what it is. It's substantially a backward-looking decision without signals or implications for either our expectations or our reaction function. We still expect the key ECB interest rates to remain at their present levels for an extended period of time and well past the horizon of our net asset purchases. It also hasn't changed our reaction function. We confirm that our net asset purchases at the current monthly pace of €30 billion are intended to run until the end of September 2018, or beyond if necessary – and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. That's what the decision is and that's what it is. And it was unanimous, as I said.

Now, if I may elaborate on the second question about Latvia. Well, on Latvia we really don't have enough information. That's why today we are sending a letter to the European Court of Justice. The Governing Council has decided, again unanimously, to ask for clarification by the Court of Justice of the European Union whether individual security measures imposed on the Governor of Latvijas Banka by the Latvian Anti-Corruption Authority on 19 February 2018, have had the effect of relieving him from office and they comply with Union law, in particular with Article 14.2 of the Statute. We are asking the ECJ for a clarification on the present situation.

You mentioned that the removal of the pledge to increase quantitative easing was unanimous. In the run-up to that unanimous decision, did any policymaker call for a more radical change, perhaps dropping a link between the APP and inflation or taking out the option to extend the duration of the APP?

The second question is on trade: could the US administration's planned tariffs by hurting the eurozone's economy slow down the return of inflation to the ECB's target?

Draghi: Well, on the first question, as I said, it was a unanimous decision and there wasn't much discussion about other possible changes in monetary policy for the coming months. Just so that I can give you a sketchy summary of the discussion, it was a kind of a fairly, in a sense, usual blend of confidence, persistence and patience. Of confidence – because the latest incoming data on growth reduced the variance of the path of inflation converging to our inflation aim. But also persistence and patience – and here of course you have different views, some people are more confident, some people are less confident and therefore they stress the persistence and patience. There was a somewhat repeated reference to the uncertainty surrounding potential output growth path.

The reason for that is that first of all, we discussed several times about how complex the measurements of unemployment are. But also there is a fact that strong growth may produce stronger potential output growth as well. If you look at the past structural reforms, the increases in labour supply, the increase in participation rates, the increase in productivity, basically all this increases the uncertainty about the potential output growth path and therefore about the size of the slack in the economy. So, the policy will continue to be reactive, basically. These are some parts of our discussion.

Another part was devoted to assessing the progress of – well, the possible progress we've made – about inflation, where we said that basically, inflation, headline inflation, will hover around 1.5% for the remaining part of the year. The underlying inflation measures remain subdued. Even though we have strong growth, we still have subdued inflation and our mandate is in terms of price stability, so victory cannot be declared yet.

Finally, you asked about monetary policy. The exchange was about emphasising all the pillars of our monetary policy. We have the flows of net purchases. We have the stock that it is accumulating. We have the reinvestment policy for an extended period of time, as I've just read. Especially we have the forward guidance on interest rate path, and they were all important.

I am sorry, you also asked the question about trade. The immediate spill-over impact of the trade measures, just if you have a static estimate, it's not going to be big. But what strikes me is that whatever convictions one has about trade, we – and certainly the Governing Council is on this line – we are convinced that disputes should be discussed and resolved in a multilateral framework, that unilateral decisions are dangerous. Also there is a certain, I would say, worry or concern about the state of international relations, because if you put tariffs against your allies, one wonders who the enemies are. I think these are two general considerations that are quite relevant.

Now, on assessing the final impact of these measures many factors come into play. First of all, is there going to be retaliation or not? Second, what's going to be the response of the exchange rate? So far we've seen that whenever there was a threat of putting tariffs towards another country, it was the dollar that would appreciate. But things can be different from time to time. Third and most important is an aspect of all – I wouldn't call them yet trade wars, but certainly of all the trade exchanges that we've seen – and that's the effect on confidence. The effect on confidence is very difficult to assess, estimate, forecast. If it is a negative effect on confidence, that's going to be negative on both inflation and output.

There is concern in Brussels about the fate of pensions and the labour laws in Italy. What's the view of ECB?

Draghi: Well, we haven't discussed this today, really. We were so focused on our decision on monetary policy that we didn't discuss this. But the point is generally speaking that fiscal sustainability is of utmost concern in countries which have high debt.

I also have two questions. The first one: you've dropped the easing bias on QE. Does that also mean that you would argue that the risks to the inflation outlook have become broadly balanced similar to growth? Or would you still say that the risks to the inflation outlook are tilted to the downside?

The second one is a very different one. You are ECB president for more than six years now and member of the Governing Council for even longer. What would you say? What makes a good ECB president? What are the most important skills?

Draghi: Well, the second question is easy to answer: I let others judge, it's not up to me.

On the first and we were always – and it goes back in tradition – not to discuss risks about inflation. We've discussed risks about growth. The point here is basically that we see headline inflation driven often by energy prices, food prices and other components that are more volatile. Then we look at underlying inflation to judge the robustness of the convergence. These measures of underlying inflation are still – some of them actually ticked up a little. Others, in general are subdued. The picture isn't much different from last time, really. In this sense, I said before that the decision we took today is obviously using incoming information like, as I said, the reduced variance. Otherwise it's really backward-looking; it doesn't send any new signal.

Two questions: First of all, in a recent speech by Benoit Coeuré he seemed to make two remarks. The first was that the eurozone is less at risk of a taper tantrum in the US when it comes time to draw a close to any new bond purchases under QE. The second seemed to be in that in boom markets at least, the flow of QE no longer matters; it's a lot more about the stock. I'd be interested in hearing yours and Mr Constâncio's views on these two points that Mr Coeuré made.

My second question is on the Latvian issue and how it pertains to the division of labour between the European Central Bank and the national central banks. You said at the European Parliament hearing recently that the permission to grant emergency loans was better lying with the European Central Bank than, as it does at present, with the national central bank. Was there a discussion of that today or was that planned? Are there any other areas on which you think

the powers should lie with the European Central Bank rather than national central banks or other national authorities?

Draghi: Let me answer first to the second question. Now, this experience we had certainly is giving some lessons we ought to really reflect on. First of all, what has been the role of the ECB in this so far? The ECB has cooperated, has informed and has requested and this is what the ECB does everywhere in these situations with the anti-money laundering, with the national competent authorities. As you said, as you heard many times, the ECB is not competent in money laundering and it doesn't have investigative powers. Having said that, the current situation as far as anti-money laundering is concerned is not satisfactory. What you would like to see are two things: more cooperation between national competent authorities on money laundering; more exchange of information; more coordination. There is a spectrum here: it can go from having a regular and frequent formalised exchange forum or even go up to a centralised authority.

The second aspect is the cooperation between national competent authorities and supervisors, both national supervisors and the SSM. And that's key. That's key because the money laundering activities as far as banks are concerned have produced, unavoidably, reputational and legal consequences. Therefore they create reputational and legal liabilities and therefore the supervisor is going to be called in to react to these risks or prevent them from happening. That's what's so important; the cooperation between the competent authorities and the supervisor.

Now, a partly different thing is about the Emergency Liquidity Assistance. I have expressed in the European Parliament a view that I share with many Governing Council members and many board members, but it's not something that can be implemented immediately. My view – which by the way we had this experience, we had other experiences – where the conclusion can't be other than – ELA should be centralised. Basically, it should be given through a process where the Governing Council participates and discusses and, in the end, decides. This is not possible legally now so it's an evolution of the system that at present time I judge unsatisfactory and needs to be changed.

Now, going back to your first question, first of all I don't think Mr Coeuré said flows don't matter.

Or that the stock matters a lot more…

Draghi: Okay, but you see how it makes a big difference whether they matter or they matter slightly less than stocks. The first time that a reference to stock was made was at the end of 2015 in a press conference I had where there was, I remember, a vast disappointment about the measures that the Governing Council had just decided and I pointed out that even though the measures were probably not fulfilling your expectations, we still had the stocks that were going to go up over the oncoming period of time. At that time, markets paid no attention whatsoever to stocks. Now attention is on stocks. Now, the reason is not that there is actually more than a trade-off; I would say that the two are complementary. And it's normal that this should be this way. When the flows were huge and the stocks were small, the flows mattered more.

Now, gradually this has changed but this doesn't [mean] – that flows don't matter. In fact, flows at the present time matter a lot also because of the sequence that we have in our monetary policy decision that it's cast in stone whereby the interest rate path depends on the dates of the net asset purchases programme. I think the discussion today showed that all four elements, including the reinvestment policy but especially the forward guidance on interest rates, are important.

Mr Draghi, you've played down the decision today to remove the easing bias, but the Governing Council felt it necessary to leave it until now. What is it that you think has changed in the last seven weeks to merit that move? It seems if anything the outlook has got more uncertain.

Second question is on your role as ECB – your experience as ECB President. You have been personally credited with a lot of the decisions that the ECB has made over the last seven years. That reflects your ability to set the agenda in Governing Council meetings. How much could a new ECB president with a different set of beliefs about QE, for instance, take the ECB along a different course given your knowledge of how the institution works?

Draghi: Let me answer the second question first. Listen, you keep on asking questions as if tomorrow I'm going to leave. I still have quite some time before my mandate expires. I may be willing to answer questions about myself at the date which is closer to the end of my mandate than it is today.

The other question, as I said, it's fundamentally a backward-looking measure. What has changed? Well, we had several revisions of the growth outlook and at the same time, we have a narrowing of the convergence path, of the variance around the path, which basically explains why in a sense we are confident. It confirmed our previous confidence. That was the discussion we had. That's the main reason. Also if you read the words, these are really unlikely contingencies now, the ones that would suggest that we would activate this easing bias. That was the reason why we did it and why we did it today.

Markets seem to be very sensitive to any kind of news at the moment, for example as the reaction to the December minutes showed. Would it not help to be a bit clearer on the forward guidance to reduce the risk of such sudden market reactions?

My second question, a few weeks ago there were also some hiccups in the markets because there were sudden fears of increasing inflation. How do you see that risk or the risk of rising inflation expectations?

Draghi: The second answer is that the market in the United States reacted to a number about inflation – which was falling by the way – and a number about nominal wage growth. In a sense they reacted with a sharp market correction, which was in a sense amplified by the conditions of financial markets, especially the stocks, especially the equity market. It was mostly limited to the equity market and it was pretty short in terms of reaction. In Europe the situation is different. In Europe we don't see wage growth of that amount, we don't see inflation rates of that amount. It's just that the risk is different.

First one was on the sensitivity of…

Draghi: If we make exception for what's happening in the United States between market correction, statements, various statements on trade and other issues, you would agree you don't see much volatility in our financial markets in the eurozone. If anything, the volatility is mostly caused by our own statements. This angst that everything should be clear in advance isn't reflected in the markets. Let me add that the reason why we have these discussions is that there are different states of mind regarding the new information. There is uncertainty about potential output growth. There is uncertainty about the size of slack and this uncertainty is more present in some members than in others. In some members there is a little less confidence and more desire to wait for more data and to see. And in others, there is more confidence in the fact that they would like to say things sooner rather than later.

I think that's the main difference. But so far whatever the difference is on when to say things, the basic point is that the policy continues to remain reactive and not proactive.

You said today that there is a strong momentum in the European economy, but some risks remain in the horizon. Do you mean that the political instability in some countries, for example in Italy, could be a problem for European growth and also for stability in the euro area?

Draghi: What we have seen in the past few cases of elections outcomes doesn't suggest that markets reacted in a way that would undermine confidence. The reaction to the Italian elections has been more or less the same as it has been to other elections, to other major political events, where most observers were foreseeing sharp corrections or high volatility. That's what it is at this point in time. That’s not to underestimate the fact that protracted instability may undermine confidence. As I said before, anything that undermines confidence is negative, has a negative effect on both inflation and output. This was when I was discussing trade measures, but it applies to all kinds of contingencies.

I'd like to ask a question about Germany and reform. The coalition agreement for the new grand coalition could be seen as rolling back some of the labour market reforms that were undertaken about ten years ago and helped produce the low unemployment that you see in Germany today. Are you at all concerned not only about Germany but that there may be some movement backward on reforms? Would that have any effect on growth, your estimates of growth, and on monetary policy?

Draghi: It's a very broad question and therefore it's very difficult to answer. More generally what one can say is that all the reforms that have increased productivity and growth ought to be left in place. If these reforms had negative distributional consequences, producing a more inequitable income or wealth distribution, these distributional effects ought to be taken care of. I think if there is one aspect in which, generally speaking, policies not only in Europe I would say, but all over the world, have been insufficient, was to take care of the distributional consequences of reforms that basically were positive for growth, but not necessarily for equity.

Back to the Italian elections: aren't you worried about the fact that in one of the most pro-European countries traditionally, the anti-European forces have gained more than 50% of the votes? What does this mean for the European project? Don't you think that it could jeopardise even the euro area reforms? It's the third biggest country in Europe, in the eurozone.

My second question is on this day, it's 8th March, it's Women's Day. Don't you think it is a little bit sad, with all respect for Mr de Guindos, that there are always men appointed for the ECB and that the presence of women in the Governing Council is still so rare?

Draghi: On the first question, I really don't want to comment. I can only say that the euro is irreversible and progress on deepening – and I just read it in the introductory statement, where the Governing Council's view about this can be found – the Governing Council says that deepening Economic and Monetary Union remains a priority. The Governing Council urges specific and decisive steps to complete the Banking Union and the Capital Markets Union.

Now, on what you said, certainly I think the gender balance ought to be improved. This ought to happen at all levels. By the way, let me congratulate Mr de Guindos because the Governing Council approved him. I am absolutely confident that he is going to be a very, very good colleague for all of us.

As far as the ECB is concerned, there will be a press release because we are also working on improving our gender balance situation. There will be a press release stating what sort of initiatives we've undertaken and the board has approved recently. These initiatives are undertaken because we've made significant progress since we set explicitly our targets - explicit targets which had not been set before. Still, this progress is less than what we wished for. The numbers now fall short of our interim targets.

We introduced the gender targets in 2013 and the interim now, right now – actually at the end of last year – 27% of management positions were held by women compared with an interim target of 29%. For the most senior management roles however, the share was 17% against an interim target of 24% so we've got to do some work here. There have been, as I said, various initiatives. One is basically to ask the head hunters to focus on gender in the recruitment process. Another one is to sort of motivate the business managers to keep vacancies open and possibly until the objective is reached. There are various issues that we've done some work on. There was also another important point in that the recruiting panels will now have a considerable presence of women. In a sense there are often unconscious biases that play a role. That's why it's necessary to assure a, I would say, much more significant presence of women in the recruitment panels.

About the former Spanish Minister, Luis de Guindos, are you thinking about a re-profiling of the portfolio of the responsibilities of the Governing Council members, having in mind his profile, his political profile?

Draghi: We haven't really thought about this.

Let me bring you back what the market is expecting from the ECB. When are you planning on giving perhaps more of an outlook to what's going to happen in the second half of the year? Before, you also were at least slightly guiding us towards when we can expect to get some more information.

My second question, let me bring you back to the trade aspect. You were saying that there's even room that perhaps the economy might do better than expected in the eurozone. But still isn't there also quite a huge amount of downward potential given the trade distortions which could lay ahead and given how export oriented our eurozone economy is?

Draghi: I'll answer immediately the second question. That's why we said that the risks to growth are balanced in the sense that we have some upward risks domestically, but some downward risks globally. That's what we refer to with that. It's quite clear that if we have retaliation, we may have effects on confidence that I mentioned before. This would certainly at the very least introduce higher uncertainty in the future growth path. More generally, I think there are two main risks that one can see today. One is this one that I mentioned related to trade. There is also another risk that is less mentioned these days. That's the risk of financial deregulation in other major jurisdictions. We should not forget what the situation was before the crisis – in the years leading to the crisis. Like today, we had an expansionary monetary policy which was justified by the conditions at that time, as ours is justified by the conditions today.

But in the 10-12 years before the crisis there had been a systematic disruption of financial regulation in the major jurisdictions. This combination, we may disagree whether the source was predominantly one or the other, but certainly nobody would disagree about the combination of the two. I would flag this as one major risk for the years ahead: that we repeat the same mistake. Now, I should say also that the 'we' is not right in this context because in the eurozone both national legislators and European legislators and the European Commission are certainly not on that path. We are talking about a global market and so massive deregulation in one part of the market is going to affect the whole world.

On your first question, the information will follow our gradual assessment of the convergence of our inflation path to our objective. As we see more information coming that says that this convergence is progressing, is becoming more robust and is becoming more and more self-sustained, so will be the information – it will be clearer. We'll be in a position to provide you with more clarity about the oncoming developments.

If core inflation will be below 2% by the end of July, the QE – the quantitative easing – will be extended? The press release and the statement is clear, but hearing it from you, it will be different.

Second question: the country with the largest quantitative easing in quantitative terms is Germany. Germany was already strong without quantitative easing. Is it dangerous for the equilibrium of the euro area? Is it a contradiction?

Draghi: Now, responding to the first question, that's what I read here, and I repeat it: regarding non-standard monetary policy measures we confirm that our net asset purchases at the current monthly pace of €30 billion are intended to run until the end of September 2018, or beyond if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. Before I reiterate this, we continue to expect the ECB interest rates to remain at their present levels for an extended period of time and well past the horizon of our net asset purchases.

Now, the second question is about one country. We deal with price stability for the eurozone; that's what matters. We don't look at individual countries – or we do look at the individual countries only as far as the developments in individual countries are useful to assess the convergence to our objective. Our mandate is price stability for the whole of the euro area.

You were urging progress on banking union and the BIS is getting comments now on the regulatory treatment of sovereign exposures by banks. I'd like to know whether there is a comment or what is your view or your position on this?

The second question is broader on inflation as there is a big debate on the fact that it isn't moving as fast as one would expect. What's your view and what's the ECB's view on the way to look at inflation and whether you agree that someone says we should throw away the books on economics and maybe write some new paragraphs?

Draghi: Now, on the first point, as a matter of fact the BIS, the Basel Committee was not able to agree on a treatment of the sovereign exposures in the banks' balance sheets. There isn't any world treatment of sovereign exposures. As a matter of fact, most countries don't have any specific risk weight with respect to that. Basically, our experience from the crisis in the eurozone has shown that sovereign bonds are not riskless: they're risky and they are in the banks. These are risky assets in banks' portfolios, so we have to take this into account. At the same time, we want to keep a level playing field across the world with a treatment of similar risks. This is a complex issue that people are working on in the European Commission, in the European Parliament. We will see how it will be addressed. Not simple to resolve.

Now, the other point was about inflation; shall we throw away the books? Well, I think this was suggested, or it was more frequent, about until a year ago. Should we abandon the 2% objective? Then you had two views: one was that we should lower it to 1% or 0%, some people said and others said we should raise it to 4%. Obviously, the aims were opposite. The ones that were suggesting 4%, the idea was that then expectations for inflation will adjust and therefore the policy would have to become even more accommodative. The point is, basically, that the ECB is following best practice like all the other central banks – or most of them, certainly all the large central banks in the world. And there are good reasons for that. And on the other hand, there are serious costs about changing course on credibility and the anchoring of expectations. We can go on on this for a while about changing objective.

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